

Cambridge Asphalte 1996 Pension Scheme (the "Scheme")
Annual governance statement for the Scheme year ending 30 June 2021

1. Introduction

The Scheme is an occupational defined contribution ("**DC**") scheme providing pension benefits for former employees of Cambridge Asphalte Company Ltd (the "**principal employer**") and their dependants. The Scheme's investments are held under an insured arrangement with Clerical Medical Life and Pensions ("**Clerical Medical**").

Open Trustees Limited (the "**Trustee**") was appointed to act as sole trustee of the Scheme on 24 February 2021 to secure members' benefits and wind up the Scheme. As Trustee of the Scheme, we have reviewed and assessed that our systems, processes and controls across key governance functions are consistent with those set out in:

- The Pensions Regulator's code of practice 13: governance and administration of occupational trust-based schemes providing money purchase benefits (the "**DC code**"); and
- Regulatory guidance for defined contribution schemes ("**DC regulatory guidance**").

Based on our assessment, the Trustee is currently working towards adopting the standards of practice set out in the DC code and DC regulatory guidance.

This statement has been prepared based on information provided to the Trustee by Clerical Medical. As at the date of this statement there were 3 deferred members in the Scheme.

2. Scheme investments

The Scheme's assets are invested wholly in an insurance policy granted by Clerical Medical, a trading name of Scottish Widows Limited, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

The Scheme is exempt from requiring a statement of investment principles ("**SIP**") under regulation 2 of the Occupational Pension Schemes (Investment) Regulations 2005 on the basis that the Scheme has fewer than 100 members. Therefore the Trustee has not prepared a SIP for the Scheme.

Clerical Medical does not operate a default investment strategy for members. Members were required to make an investment decision on joining the Scheme. As such, the Trustee is not required to prepare a default fund SIP under regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005.

The Scheme is not being used as a qualifying scheme for automatic enrolment purposes.

3. Core Financial Transactions

The Trustee has a duty to ensure that core financial transactions (such as the investment of contributions, transfer of member assets into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members) relating to the Scheme are processed promptly and accurately.

The Trustee delegates the processing of most of these core transactions to Clerical Medical. So far as the Trustee acts as administrator in respect of other core transactions, an independent auditor undertakes an external audit of the Trustee's administrative processes and controls (AAF 02/07) on an annual basis. In addition, the Trustee has internal controls and policies in place and maintains a scheme specific risk register to identify and mitigate potential risks relating to the processing of core transactions. The Scheme's risk register is reviewed by the Trustee on an annual basis.

The Trustee was appointed to act as trustee of the Scheme shortly before the year end date of this statement. During the course of its initial due diligence enquiries the Trustee was not made aware of any issues relating to the processing of core financial transactions. Following the Trustee's appointment the processing of core financial transactions is kept under regular review and reported on it as part of the annual audit process.

4. Charges and Transaction Costs

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the "**Administration Regulations**") requires the Trustee to review the charges and transactions costs borne by the scheme members and consider the extent to which those charges and costs represent good value for money for members.

Fund / policy charges

Members' funds are invested in Clerical Medical's unit linked legacy group pension funds, with unit prices calculated on a daily basis. The charges applicable for each fund for the year ending 30 June 2021 are shown in the table below expressed as a percentage of a member's fund.

Fund name	Annual management charge	Additional expenses	Total member borne deductions
Clerical Medical With-Profits Regular (SL 2%)	0.641%	0.00%	0.641%
Clerical Medical UK Growth (SL)	0.641%	0.00%	0.641%
Clerical Medical UK Property (SL)	0.641%	0.00%	0.641%
Clerical Medical North American (SL)	0.641%	0.00%	0.641%
Clerical Medical Gilt and Fixed Interest (SL)	0.641%	0.00%	0.641%
Clerical Medical European(SL)	0.641%	0.00%	0.641%
Clerical Medical UK Property Pen	0.641%	0.00%	0.641%
Clerical Medical North American	0.641%	0.00%	0.641%
Clerical Medical Gilt & Fixed Int.	0.641%	0.00%	0.641%
Clerical Medical European	0.641%	0.00%	0.641%
Clerical Medical UK Growth Pen	0.641%	0.00%	0.641%
Clerical Medical Balanced Pen	0.641%	0.00%	0.641%

Other charges

Where applicable, transaction costs incurred by fund managers as a result of buying, selling, lending or borrowing investments can reduce the amount available to the member at retirement. However, Clerical Medical have confirmed that there are no other charges are applied either explicitly (such as a member charge or a capital unit charge) or implicitly (such as those applied inherently within the pricing structure of each fund).

Clerical Medical have also confirmed that no early exit or surrender charges are. However, members invested in the Clerical Medical With-Profits Regular (SL 2%) fund may be subject to a market value reduction depending on market conditions at the time the benefits are taken (applicable only when benefits are taken before normal retirement age).

Impact of charges

In accordance with the Occupational Pension Schemes (Administration and Disclosure) Amendment Regulations 2018 and relevant statutory guidance, the Trustee is required to produce an illustration of the impact of the above charges and transaction costs.

We have requested that Clerical Medical produce such an illustration of the charges and transaction costs based on the median pot size of Scheme members and assuming that no further contributions were payable. However, Clerical Medical have not yet provided this illustration and so an updated Chair's Statement shall be produced as soon as this becomes available.

Value for money assessment

The Trustee is required to carry out an assessment of the member borne costs and charges and consider the extent to which these represent good value for members. There is no precise legal definition of "good value", however the Trustee has considered a combination of investment fund management, scheme governance and administration factors which contribute to the overall quality of service provided to members in return.

Whilst the Scheme does not benefit from guaranteed annuity rates or any guaranteed sums, members invested in the Clerical Medical With-Profits (SL 2%) fund benefit from a regular guaranteed bonus rate (net of annual management charges) of 2% plus an additional annual bonus of 0.5%. A final bonus may also be applied on surrender / encashment depending on underlying fund performance.

Annual Management Charges applicable for all funds under the Clerical Medical legacy group pension platform are within the statutory charge cap of 0.75%

Based on experience to date, the Trustee is comfortable with the quality and efficiency of the administration services provided by the Clerical Medical back office. Members benefit from the support and security provided by a well-established insurance company with robust structures in place to ensure the effective governance and security of members' benefits.

Overall, we believe that the Scheme provides sufficient value for members. Given that the Scheme is currently in the process of being wound up, the Trustee has concluded that the Scheme's assets should remain invested in their current funds until the Scheme is wound up.

5. Trustee Knowledge and Understanding

Section 248 of the Pensions Act 2004 requires the Trustee to possess, or have access to, sufficient knowledge and understanding to run the Scheme effectively.

The Trustee takes training and development responsibilities seriously and each member of the Open Trustees team maintains a record of all training completed during the Scheme year. This record is reviewed annually in order to identify any gaps in knowledge and understanding and a training plan is then put in place over the course of the following Scheme year.

Each of the members of the board of directors is a UK qualified lawyer, either specialising in UK pensions law or insolvency and restructuring law. The Trustee combines the knowledge and understanding of the members of the board, together with the advice which is available to them through their consultants and advisers, to enable them to properly exercise their function as Trustee of the Scheme.

All members of the Open Trustees team are required to undertake ongoing training and development. This is achieved through a programme of training sessions relating to pensions law and practice relevant to the Scheme. This programme is supported by Osborne Clarke LLP's pensions training and know-how lawyer. In addition, members of the team undertake external training and development,

particularly through completion of the Pensions Regulator trustee toolkit, attendance at industry knowledge sharing events and study for appropriate professional qualifications.

Relevant training undertaken by the Open Trustees team during the scheme year ended 30 June 2021 included the following:

Training	Date
The Pensions Regulator's Trustee Toolkit	All year
Single code of practice – OC internal training	23 June 2021
Statutory transfer consultation – OC internal training	19 May 2021
Cyber Security and Pension Schemes - webinar	17 March 2021
DC Roundtable with Barnett Waddingham	1 March 2021
ESG / climate risk governance – OC internal training	17 February 2021
DC bulk transfers and wind ups – OC internal training	20 January 2021
Pension scams - webinar	9 December 2020
DC governance – OC internal training	30 September 2020
Understanding retirement options - webinar	10 September 2020
DC contributions and charges – OC internal training	15 July 2020

Additionally, each of the members of the board of directors have access to the Scheme's governing documents, in order to ensure they are conversant with those documents and that they understand their powers under the Scheme rules, current pensions and trust law and current principles relating to the funding and investment of pension schemes.

In conclusion, the combined knowledge and understanding of the Open Trustees team along with the advice and support available from its professional advisers enables it to properly exercise all necessary functions in relation to the Scheme in accordance with its statutory duties.

Signed:

Date: 28 January 2022

Director of Open Trustees Limited (Chair of Trustees)